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Reagan Budget Cuts and City Spending on Welfare and Housing and Community Development

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REAGAN BUDGET CUTS

AND

CITY SPENDING

ON

WELFARE AND HOUSING AND COMMUNITY DEVELOPMENT

By

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To Mary Grisez Kweit

ABSTRACT

In President Reagan's New Federalism, the federal government had a decreased role in the domestic sector and the state and local governments had increased roles with more of the responsibilities. His grants-in-aid policy made the states play a larger leadership role. Reagan was critical of welfare and redistributive services programs. Under Reagan, was the federal government more apt to cut programs that targeted the poor and were the state and local governments less apt to replace the cuts? The point of the research was to determine the impact of the 1981 Reagan budget cuts on city spending for welfare and spending for housing and community development. The hypothesis is that Reagan's budget cuts will impact city spending for welfare more than spending for housing and community development. If political theorists, like Daniel Elazar, were correct, region and political culture would be the most important predictors of city spending on welfare and spending on housing and community development. If political theorists, like Paul Peterson, were correct, the most important predictors of city spending on welfare would be fiscal pressure and dependency on federal revenue. If political scholars, like David Morgan and Robert England, were correct, city population would be an important predictor of city spending for welfare and spending for housing and community development.

Multiple regression analyses were done on a listing of 118 cities, over 10,000 and less than 1,000,000, which spent for both welfare and housing and community development from 1976-87. A comparison of the spending means for 1976-77, 1981-82 and 1986-87 showed that the 1981 Reagan budget cuts impacted welfare more than housing and community development. Only the moralistic and individualistic political cultures were consistently statistically significant at the .05 level with a positive relationship to welfare spending (other variables in the equation controlled) but they explained little of the variation in spending on welfare for 1976-87. Only city dependency on federal revenue was consistently statistically significant at the .05 level with a positive relationship to housing and community development spending (other variables in the equation controlled) but explained little of the variation in spending on housing and community development for 1976-87. Removing the dummy variables for region and political culture had more of an impact on the prediction of spending for welfare than on spending for housing and community development.

CHAPTER I

INTRODUCTION

The Problem

President Ronald Reagan made cuts and basic changes in the domestic programs of the federal government. His main goals were to decrease the role of the federal government in the domestic sector and to increase the responsibilities of the state and local governments. His activism on the grant-in-aid policy issues made the states play a larger and more important leadership role in American federalism. Reagan was very critical of welfare programs.[1] Was the federal government, then, more likely to cut programs that targeted the poor and was it more likely that these cuts would not be replaced by state and local governments? The point of the research is to determine the impact of the Reagan administration budget cuts on city spending for welfare and economic development. The hypothesis is that the Reagan administration budget cuts will have more impact on city spending for welfare than city spending for economic development.

[1]"President Reagan's Economic Proposals Text," Congressional Quarterly, 1981, XXXVII, p. 15-E.

A list of 118 cities in the United States with over 10,000 and less than one million residents, which spent funds for welfare and for housing and urban renewal or community development, was drawn for 1976-77[2], 1981-82[3], and 1986-87[4] from census data. The census data listed only cities over 10,000 or more. Population was given as a percentage of one million people to simplify data presentation. Two multiple regression analyses were done to predict spending on welfare and city spending on housing and urban renewal or community development for 1976-77, 1981-82 and 1986-87 with the following independent variables: region, political culture, population, fiscal pressure and federal revenue dependency. If political theorists, like Daniel Elazar, were correct, region and political culture would be the most important predictors of city spending on welfare and city spending on housing and urban renewal or community development.[5] If theorists, like Paul Peterson, were correct, the most important predictors of city spending on welfare would be fiscal pressure and dependency on federal revenue.[6] If researchers, like David Morgan and Robert England were correct, city population would be an

[2]U.S. Department of Commerce, Bureau of the Census. Census of Governments, 1977: Government Finances, Vol. 4, No. 4, Table 22.

[3]U.S. Department of Commerce, Bureau of the Census. Census of Governments, 1981: Government Finances, Vol. 4, No. 4, Table 18.

[4]U.S. Department of Commerce, Bureau of the Census. Census of Governments, 1987: Government Finances, Vol. 4, No. 4, Table 18.

[5]Daniel J. Elazar, American Federalism: A View from the States (New York: Crowell, 1966), p. 97 and 129.

[6]Paul E. Peterson, City Limits (Chicago: University of Chicago Press, 1981), p. 16, 55 and 58.

important predictor of city spending for welfare and spending for housing and urban renewal or community development.[7]

In order to study the impact of President Reagan's budget cuts on city spending for welfare and city spending for housing and urban renewal or community development, background is provided on the various interpretations of American federalism, the history of federal aid to cities, and the research done on the impact of the Reagan cuts.

Background

Federalism

E. E. Schattschneider, a political philosopher, looked at politics as a way of clearing public conflict, which usually started in the private arena, mainly through persuasion and, thereby, keeping the freedom and order. He believed that notions of equity added to conflict by allowing outside interference and by encouraging people to seek legal remedies for their grievances.[8] Peterson felt that federal government goals of equity in redistributive policy conflicted with local government goals of efficiently developing the local economy. He agreed with Schattschneider that the way to restrict conflict was to localize it and the way to expand conflict was to nationalize it. Peterson said that since redistributive policies are at odds with city economic interests, they are

[7]David R. Morgan and Robert E. England, "The Small Cities Block Grant Program: An Assessment of Programmatic Change Under State Control," Public Administration Review, November/December, 1984, p. 481.

[8]Jerome M. Mileur, "The Politics of E. E. Schattschneider," PS: Political Science & Politics, Vol. XXV (June, 1992), p. 176 and 177.

often excluded from the local political agenda.[9] Schattschneider said that control of conflict by the decision making level was the main tool of political strategy which was set by the visibility, intensity, scope and direction of the conflict. He noted that an important part of that political strategy was the substitution of conflict. He stated that the Republicans exploited such issues as welfare in order to play down economic issues as the recession which the Democrats organized around. Reagan, in his report on the state of the Nation's economy in 1981, raised the issue of welfare only for the truly needy and set the direction of conflict. He substituted one conflict, welfare, for another, the recession, while fashioning his "New Federalism". Schattschneider claimed that arguments about federalism, local self-government, centralization and decentralization were arguments about the degree of conflict which was evident in Reagan's turning over the administration of the Small Cities portion of the CDBG program to states where original purposes of the program, benefits to low and moderate income people and elimination of slums and blight, conflicted with the priorities of state and local government officials.[10]

To political scientist Daniel Elazar, American federalism meant a partnership where the federal system and the states shared power with negotiation to achieve common goals. He said that the states responded to this cooperative arrangement in different ways.

[9]Peterson, City Limits, p. 167.

[10]E.E. Schattschneider, The Semisovereign People (New York: Harcourt Brace Jovanovich College Publishers, 1975), P. 2, 7, 11, 20 and 25.

He noted that political culture, sectionalism, and the continuing frontier were the sources of the variation in state responses to this partnership.[11]

Elazar said that political culture was a pattern of beliefs and attitudes toward the government and the political process. He designated political culture as moralistic, individualistic, and traditionalistic.

In the moralistic political culture, the public and politician think of politics as public activity for the advancement of the common good. Those who govern are honest, selfless and committed to the public welfare with power to intervene in the economic and social life of the state or community for the common good. It is the duty of every person to participate and government service is considered public service. Politics is not used for private economic gain. Party loyalty is not important.[12]

In the individualistic political culture, the government exist to handle the demands of the people it was created to serve. Government action is restricted to areas, especially economic, which encourage private initiative and access to the marketplace. Political party is important since politics is a way for people to improve themselves socially and economically. Individualistic political culture is based on a system of mutual obligations which were founded in personal relationships. Politicians and the public look at political activity as only for the professional and there is no place for amateurs. Public officials

[11]Elazar, American Federalism: A View from the States, p. 79.

[12]Ibid., p. 91.

are supposed to get the public what it wants and they are not willing to begin new programs on their own.[13]

The traditionalistic political culture confines the real political power to those who inherited their position through family ties, social position or wealth. Political parties are not very important. Good government is the maintenance and encouragement of traditional values.[14]

Elazar thought that the geography of political culture (as modified by local conditions) laid the foundations of sectionalism. He said the sectionalism meant that the country was divided historically, culturally and economically into the greater Northeast, the greater South and the greater West. He noted that the greater Northeast included all states north of the Ohio and Potomac Rivers and east of Lake Michigan; the greater South included states below the greater Northeast but east of the Mississippi River plus Missouri, Arkansas, Louisiana, Oklahoma, and Texas; and the rest of the states make up the greater West. This is the justification for including region and political culture in the study.[15]

Since Elazar observed that the geography of political culture was directly related to the continuing frontier, the American frontier will be included in the discussion on federalism. He said that the conquest of one frontier led to the opening of another which

[13]Ibid., p. 87.

[14]Ibid., p. 93.

[15]Ibid., p. 114.

created major social and economic changes in the nation's political institutions, especially in the roles and functions of federalism and intergovernmental relations.[16]

Elazar explained that the American frontier passed through three stages and was now in the fourth stage. He said that the first three consecutive stages of the American frontier were the rural-land frontier, the urban-industrial frontier, and the metropolitan-technological frontier. He defined the rural-land frontier as the classic American frontier which lasted from the seventeenth century to the nineteenth century. He stated that, during the urban-industrial frontier, the cities were transformed from service centers for the rural area into independent centers of opportunity and producers of wealth. He noted that, in the metropolitan-technological frontier, rapidly changing technologies and settlement patterns spread the urbanized population within the large metropolitan regions.[17]

Elazar observed that the fourth stage, the citybelt-cybernetic frontier, was generated by the metropolitan-technological frontier. He noted that the citybelt-cybernetic frontier first appeared in the Northeast when the Atlantic coast metropolitan regions united with each other in a 600-mile long "large city" made up of urban and suburban settlements with older cities and smaller ones sharing importance. He said that the increasing use of computer technology (cybernetic tools) made such citybelts possible. He stated that the citybelt-cybernetic frontier developed as an original form in the South and the West. Elazar concluded that each new frontier brought changes in economic

[16]Ibid., p. 96.

[17]Ibid., p. 98.

activities, new settlement patterns, political changes, and social problems. He added that the variations in state responses to this partnership between the federal system and the states, American federalism, were explained by sectional and cultural differences in the impact of each frontier.[18]

Political science scholar Paul Peterson thought that a theory of American federalism was possible if cities, states, and the national government were considered different from each other. He concentrated his work on cities and described them as small political systems with politics that are limited unlike national politics that are not. He said that the political system of the nation influences city choices but that the city interests decide policy choices.[19]

Peterson held that the main interest of cities in urban public policy is the keeping up and the improvement of their economies by attracting productive labor and capital. He listed three types of public policies: developmental, allocational and redistributive that are affected by fiscal capacity, demand, and supply factors. He stated that fiscal capacity of a city affects its spending.[20] He said that developmental policies contribute to city productivity by increasing the local economy, local tax base and resources.[21] He described allocational policies as neither developmental nor redistributive but those

[18]Daniel Elazar, "The 1980s: Enter in the Citybelt-Cybernetic Frontier," Publius, X (Winter, 1980), p. 23.

[19]Peterson, City Limits, p. 4.

[20]Ibid., p. 46.

[21]Ibid., p. 42.

which have neutral economic effects. He depicted redistributive policies as those policies that have negative economic effects even though the needy benefit.[22] He remarked that local governments usually shy away from redistributive policies. He noted that the national government has the greatest responsibility for them.[23] The author of the present study will be testing whether this is true.

Peterson stated that developmental, allocational and redistributive policies differ depending on the structure of local governmental systems. He said that some amount of redistribution happens even at the lower level in big cities. He noted that the many, small and competitive local governments keep redistribution to a minimum and do not include it in political agendas.[24]

Peterson said that each of these policies affects the interests of cities differently which he demonstrated through regression analysis. He found that redistributive policies were a function of a city's fiscal capacity. He reported that developmental expenditures were affected by supply and demand and that allocative policies were affected by both fiscal capacity and supply and demand.[25] He also found that the results changed very slightly when southern states were dropped from the analysis.[26] He added that the decisions made by local governments regarding developmental, allocative and

[22]Ibid., p. 44.

[23]Ibid., p. 78.

[24]Ibid., p. 16.

[25]Ibid., p. 59.

[26]Ibid., p. 58.

redistributive policies are political decisions made by local government officials with concerns over long-term economic welfare and limits of what is possible.[27]

Peterson defined federalism as a system of higher and lower levels of government, each having separate and autonomous responsibility for the social and economic welfare of those in their jurisdictions.[28] Peterson compared the goals of central and lower governments in a federal system. He found that local governments focus on operating efficiency to keep an economic base. He said that the federal government's domestic policy focuses on keeping a balance between developmental and redistributive goals.[29]

Peterson also compared the different functional responsibilities between central and local governments. He said that the local governments provide services according to need and use developmental activity to further the local economy. He noted that the national government is responsible for overall economic growth (which is developmental policy with widespread effects) and is mainly responsible for redistributive policies.[30] He commented that when national policy is developmental, local and national goals overlap and policy is usually carried out with intergovernmental cooperation.[31] He added that when national policy is redistributive, federal government goals (which include equity) conflict with local government goals (which include the efficient development of the

[27]Ibid., p. 26.

[28]Ibid., p. 67.

[29]Ibid., p. 58.

[30]Ibid., p. 81.

[31]Ibid., p. 82.

local economy) which makes implementation of federal programs more difficult.[32] Peterson concluded that economic limits mold local government policy and politics and that local governments differ from each other. He emphasized the fact that some local governments are able to carry on their economic interests while others work under constraints that limit how much they can increase their economic base.[33] He mentioned that redistributive policies are more likely to occur in wealthier cities.[34]

If Peterson is correct, the most important predictors of city spending on welfare are fiscal pressure and dependency on federal revenue and the most important predictors of city spending on developmental policies are demand-supply factors. Fiscal pressure and dependency on federal revenue were selected as independent variables to be used with others in multiple regression analyses on city spending for welfare and city spending for housing and urban renewal or community development for 1976-77, 1981-82 and 1986-87 to determine the important predictors of such spending.

History of Federal Aid

Grants-in-aid, from higher to lower levels of government, were firmly established in the United State by the 1950s since the federal government was better able to raise revenues from tax sources than state and local governments (which met citizen resistance to tax increases). Grants-in-aid consisted of federal money given to the states and federal

[32]Ibid., p. 83.

[33]Ibid., p. 210.

[34]Ibid., p. 214.

or state money given to the local governments for special purposes under the grantor's supervision and review. It was up to the states or local governments to accept or reject the grants-in-aid. There are general three kinds of grants-in-aid (although definitions may differ): flat grants, in which recipient governments get equal amounts of money for a program without the matching of funds but may pay administrative costs; proportional grants, in which each recipient government gets a grant in proportion to its contribution based on set formulas; and percentage grants, in which recipient government is paid a set percentage of the cost to maintain a certain program.[35]

In the United States, there is a variety of social welfare programs which function differently from each other. These are Unemployment Compensation, Food Stamps, Medicare, Medicaid, Veterans Programs, and Aid to Families with Dependent Children(AFDC).

The federal government established the basic structure for welfare policies in the Social Security Act of 1935. The Act contained three provisions (which have been amended): Old Age, Survivors and Disability Insurance (OASDI) which provides pensions to retired or disabled workers out of a trust fund formed from a payroll tax placed on workers and employers; Unemployment Compensation which consists of cash payments to those temporarily but involuntarily out of work (funded by a state tax on employers with extended benefits funded by state and federal taxes); and AFDC which

[35]Daniel J. Elazar, "The Shaping of Intergovernmental Relations in the Twentieth Century," in The Politics of American Federalism, ed. by Daniel Elazar (Lexington: Heath, 1969), p. 20-30.

provides cash grants (funded by the state with federal reimbursements) mainly to female-headed poor families.[36]

Hence, the Economic Opportunity Act of 1964 was seen as a major antipoverty effort by President Johnson. It centered on training and services for the poor. The Food Stamp program began in 1964 during the Johnson administration and is federally funded with the states bearing administrative costs. Under the program, the needy can exchange coupons for food at the stores. At first, the program was limited in scope with only the poorest eligible to buy the stamps. In 1977, Congress dropped the requirement that the stamps be bought and expanded the program eligibility.[37]

The Medicare Act of 1965 established Medicare and Medicaid. Medicare is a health care program for the elderly and is not means tested. It is funded by payroll tax and member contributions. Medicaid provides health care to the needy through payments to health care providers. It is means tested and funded through federal matching grants to the states. In 1972, Congress amended the Social Security Act with Supplemental Security Income (SSI) which provides assistance to the aged and poor. It is funded by the federal government. Most states will supplement it.[38]

In 1981, President Ronald Reagan came into office with a goal to cut welfare spending. He persuaded Congress to make big changes in some major welfare programs

[36]George McKenna, The Drama of Democracy: American Government and Politics (Guilford: Duskin, 1990), p. 500.

[37]Ibid., p. 505-506.

[38]Ibid., p. 507.

the same year. Household income had to be less than 130 percent of the federal poverty line to be eligible for the Food Stamp program. Striking workers were excluded from this program. States were no longer required to provide 13 weeks of unemployment compensation beyond the 26 weeks standard. The amount of the deductible for hospital bills in Medicare was raised. The federal contribution to state Medicaid programs was reduced. Only households less than 150 percent of the state-determined standard of need could get AFDC benefits. Striking workers were also excluded from this program. Working mothers took a cut in AFDC benefits. A family on AFDC could only own a house, car, and less than $1,000 in other assets. States could consider food stamps and housing assistance as income when deciding eligibility. These were some of the changes made in social welfare programs but not all the ones that Reagan wanted.[39]

However, there was a shift in federal aid to cities from federal public housing programs which provided low-rent public housing for the poor (who could not afford decent housing otherwise) under the Housing Act of 1937 to urban renewal with the Housing Act of 1949. The Act created housing for the low-moderate income and the removal of slums and blight with the aid of the private sector and government subsidies.[40] The Housing Act of 1954 represented a broader concept of urban renewal. More government funds were addressed to rehabilitation and conservation of urban areas. It provided for slum clearance, new housing and downtown area renovation in the central

[39]James G. Wilson, American Government: Institutions and Policies (Lexington: Heath, 1983), p. 484.

[40]John Engen, Andrew Mott and John Roos, Housing and Public Policy (Cambridge: Ballinger, 1981), p. 14.

cities.[41] Local governments could now use ten percent of the federal grant for nonresidential construction to increase their tax base and economic viability.[42] The Housing Act of 1961 and the 1965 amendments provided cities with open space funds to acquire land for recreational, historical and conservational purposes.[43] The Model cities program was enacted in 1966 and administered by Housing and Urban Development (HUD). Federal funds were used for experimental programs in a small number of large cities having severe problems. Federal aid evolved into block grants with Nixon's "New Federalism".[44]

In 1971, President Richard Nixon established federal grant programs that transferred power from Washington to state and local governments with more money and less interference. In the future, the states would have the responsibility for planning and administering the programs. Nixon proposed Revenue Sharing (which distributed federal funds to state and local governments to do with as they wanted), the Comprehensive

[41]Daniel Grant and Lloyd Omdahl, State and Local Government in Urban America (Dubuque: Brown, 1989), p. 37.

[42]Robert Kweit and Mary Grisez Kweit, People and Politics in Urban America (Pacific Grove: Brooks/Cole, 1990), p. 328.

[43]Mark Francis, Lisa Cashden and Lynn Paxton, Community Open Spaces: Greening Neighborhoods Through Community Action and Land Conservation (Washington, D.C.: Island, 1984), p. 17.

[44]Donald Kettl, The Regulation of America Federalism (Baton Rouge: Louisiana State University Press, 1983), p. 15.

Employment and Training Act (CETA), and the Community Development Block Grant (CDBG) program.[45]

The Housing and Community Development Act of 1974 established the CDBG program. The CDBG program was passed by Congress to streamline federal aid and was signed by President Gerald Ford.[46] Initially, the CDBG program required communities to design projects for the low and moderate income people. The CDBG program consolidated seven categorical grant programs: rehabilitation loans, urban renewal, Model Cities, Neighborhood Facilities programs, open space programs, and water and sewer grants.[47] The CDBG had a formula that automatically entitled cities with 50,000 people or more and counties with more than 200,000 people an annual grant with HUD approval. Cities with less than 50,000 people competed for the discretionary funding. The CDBG program provided funds for the elimination of slums and blight, for solving problems of low and moderate income families, and for projects to solve urgent community development.[48] Local governments could use the funds for projects like housing rehabilitation, downtown improvements, parks, and clearance of substandard

[45]Ibid., p. 16.

[46]Richard Nathan and Fred Doolittle, Reagan and the States (Princeton: Princeton University Press, 1987), p. 40.

[47]Kweit and Kweit, People and Politics in Urban America, p. 264.

[48]U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, Community Development Block Grant Entitlement Cities: The First Year Planning and Application Process. Washington, D.C.: Government Printing Office, 1976, p. 1.

buildings.[49] Many communities responded by identifying projects citywide which enabled them to put projects where they wanted while complying with the rules.[50] The large amount of discretionary funding gave neighborhoods the motive to get involved and had few guidelines for fund use except the requirements of a public hearing for citizen input on the proposals.[51] In 1977, congress enacted a second formula based on city decay, poverty and population growth because of problems with the distribution formula. Congress allowed the communities to pick the formula which gave them the greatest amount of funding.[52] The CDBG program was good for local governments because of the predictable funds and program flexibility.[53]

There was a shift in federal policy which started with President Jimmy Carter and was accentuated under President Ronald Reagan. Carter cut back on urban aid because inflation caused a problem with the nation's economy. Under the Reagan administration, Congress revised the CDBG programs by going to minimal requirements. The 1981 revisions were similar to the programs Nixon had proposed ten years earlier. The justification for the 1981 revisions were also similar: federal programs were bogged

[49]Paul Dommel, "Social Targeting in Community Development," Political Science Quarterly, Vol. 95 (Fall, 1980), p. 465.

[50]Howard Hall, Neighborhoods: Their Place in Urban Life (Beverly Hills: Sage, 1984), p. 247.

[51]Kweit and Kweit, People and Politics in Urban America, p. 207.

[52]Kettl, The Regulation of American Federalism, p. 18.

[53]Paul Farnham, "The Targeting of Federal Aid: Continued Ambivalence," Public Policy, Vol. 24, No. 1 (winter, 1981), p. 88.

down with regulations and shifted intergovernmental balance toward the federal government.[54]

President Reagan's proposals for economic recovery and state-oriented federalism affected the size and structure of federal grants-in-aid to state and local governments and the roles of federal, state, and local governments.[55] In a February 1981 speech to Congress, President Reagan called for massive tax cuts and reductions in domestic spending to decrease the size of the federal government in the domestic area.[56] On August 13, 1981, Congress responded by passing the Omnibus Budget Reconciliation Act. Instead of consolidating ninety categorical grants into four block grants, as Reagan wanted, Congress consolidated fifty categorical programs into nine block grants: four in health services, three in social services, one in education, and one in community development.[57]

The 1981 Budget Act gave the states more authority under the Small Cities portion of the CDBG program. Cities with less than 50,000 residents, that once competed for discretionary funding, automatically received funds under a formula.[58] State governors were the main people shaping the Small Cities Grant programs. The states

[54]Kettl, The Regulation of American Federalism, p. 21.

[55]Nathan and Doolittle, Reagan and the States, p. 44.

[56]James Alexander, "Policy Design and the Impact of Federal Aid to Declining Communities," Growth and Change, January, 1981, p. 40.

[57]Morgan and England, "The Small Cities Grant Program," p. 40.

[58]Nathan and Doolittle, Reagan and the States, p. 81.

decided which communities got money, the amount they got, the use of the grant, and the standards they were accountable for. This change in grant-in-aid made it possible for the preferences and priorities of state and local officials to be reflected in the Small Cities Grant Program and increased the role of the states.[59]

The assumption of responsibility for the Small Cities portion of the CDBG program by the states offered an opportunity to study the consequences of Reagan's "New Federalism". President Reagan, in his first State of the Union Address in 1982, said that it was his intention to return to a clearer distinction between the powers granted to the federal government and those reserved to the states. He said that he wanted to give the states a chance to spend government revenues.[60]

The Small Cities portion of the CDBG program illustrated the conflict between the original federal government intention and local government goals. The Small Cities portion of the CDBG program, as administered by HUD, was initially intended to be redistributive with the primary benefits going to low and moderate income people. States had only to give "maximum feasible priority" to benefiting low and moderate income families and preventing slums and blight while administering the Small Cities portion of the CDBG program. The Small Cities portion of the CDBG program was designed to give the local governments an ample amount of discretion in selecting projects and

[59]Neal R. Peirce and Robert Guskind, "Reagan Budget Cutters Eye Community Development Block Grant Program On Its 10th. Birthday," National Journal, Vol. 17, No, 1 (January 5, 1985), p. 13 and 14.

[60]"Reagan's State of the Union Address, " Congressional Quarterly, 1982, XXXVIII, p. 5-E.

activities to meet the needs of low and moderate income groups. The states, in administering the Small Cities portion of the CDBG program, allowed local governments considerable leeway in accomplishing these ends while abiding by the rules. With decentralization, the Small Cities grant program conflicted with initial federal government purposes by reflecting the preferences and priorities of state and local officials.[61]

Impact of the Reagan Cuts

Researchers Nathan and Doolittle said that the theories of American federalism can be grouped as the two-level view of government (federal-state) and the three-level view of government (federal-state-local). President Reagan supported the two-level view which stressed the importance of the Tenth Amendment which said that powers not explicitly assigned to the national government resided with the state and the people. Nathan and Doolittle said that Reagan's "New Federalism" would have given the state governments responsibility for policy making, financing and administration of some programs with the federal government taking the responsibility for policy making, financing, and administration of some programs at the national level. They commented that what actually occurred during Reagan's first term was that the federal government was still included in policy making and financing of the Reagan new block grants

[61]Morgan and England, "The Small Cities Grant Program," p. 477.

(although at a smaller degree) while the states assumed more administrative responsibility for them.[62]

Nathan and Doolittle analyzed the observations of field researchers in fourteen states on the effects of Reagan's changes in grants for these state governments and forty local governments within the sample states. The states were picked in terms of size, location, and economic and social characteristics. The states were: Arizona, California, Florida, Illinois, Massachusetts, Mississippi, Missouri, New Jersey, New York, Ohio, Oklahoma, South Dakota, Texas and Washington.[63]

Nathan and Doolittle, in their initial analysis of the cuts and changes in grants made by the Reagan administration in the first year, revealed the following things. The cuts were appreciable and were aimed at those on welfare and the working poor rather than on state and local governments. Reagan pushed hard for the idea of "workfare" which required one to work off the amount received for welfare. Reagan's new block grants and provisions allowed the states to reorganize Medicaid which shifted more responsibilities from the federal government to the states. State and local governments first reacted to federal cuts in some programs by coping. They used carryover funds, shifted funds among the accounts or just procrastinated. State and local governments did not, however, cope with cuts made in welfare programs (AFDC and food stamps) and the public service programs but transferred them directly to the recipients.[64]

[62]Nathan and Doolittle, Reagan and the States, p. 361.

[63]Ibid., p. 4.

[64]Ibid., p. 13.

The 1981 change in the Community Development Block Grant (CDBG) program gave the states more authority under the Small Cities portion of the CDBG program. The states, through their governors, administered the Small Cities portion of the CDBG. States, selecting projects and setting up distribution procedures, favored economic development and public works over housing and neighborhood rehabilitation. In 1981, funds to small cities increased from 25 percent to 30 percent while funds to large cities decreased from 75 percent to 70 percent. Cities with populations over 50,000 increased in the 1980 census. Funds for Community Development were cut by six percent ($220 million) in 1982 but received $1 billion by the Emergency Jobs Act of 1983 (funding for large formula-funded cities increased $775.2 million and the Small Cities portion of the CDBG program increased by $222.8 million) and federal appropriations of $3.468 billion in 1984 and $3.372 billion in 1985.[65]

Nathan and Doolittle looked at the differences in the responses of all fourteen states in the study sample to Reagan's cuts and changes in federal grants-in-aid. They classified these states according to the state's response to replacing federal aid funding cuts out of new revenues as: most pronounced response, intermediate response, and minimal response. Florida, Massachusetts, New Jersey, New York, and Oklahoma made the most pronounced responses to Reagan cuts and changes in federal grants-in-aid. Eight states made intermediate responses: Mississippi, Ohio and Texas allocated some new or additional state aid to replace federal aid cuts; Washington replaced federal aid cuts at first but later rescinded; Arizona, Illinois, Missouri and South Dakota did not

[65]Ibid., p. 81.

replace federal aid cuts out of their own funds but concentrated on policy making and administration of areas affected by the cuts. California made a minimal response to these cuts in federal grants-in-aid.[66]

Nathan and Doolittle found two reasons that explained the variations in state responses to the Reagan federal aid changes. The reasons were political and economic. The political reasons related to the political culture of the state and the role of the political leaders. The economic reasons were related to the state economic condition and to the state government fiscal condition. The authors found that states with the strongest economies and finances, along with key government officials favoring aid replacement, produced the strongest response to Reagan's cuts and changes in federal grants-in-aid. This is the justification for using the work of the authors in this paper.[67]

Nathan and Doolittle obtained the political data on case-study states by classifying each of the fourteen states according to: response of states to replacing federal aid funding cuts out of new revenues (most pronounced, moderate or low); political ideology (conservative, moderate or liberal according to per capita state and local government spending for welfare); governor and party affiliation, 1984; and party split in the state legislature. State welfare spending per capita was used as a proxy for political ideology. States with the most pronounced response to cuts in 1984 had the following political views in an earlier report on this study: New York and Massachusetts were liberal, New Jersey and Oklahoma were moderate, and Florida was conservative. States with a

[66]Ibid., p. 100.

[67]Ibid., p. 107.

moderate response to cuts had the following political views: Ohio, Washington, and Illinois were moderate; and Mississippi, Texas, Arizona, Missouri and South Dakota were conservative. California had a liberal political view and low response to cuts.[68]

They found political ideology influenced the response of state and local governments to cuts in federal grants-in-aid especially where a state's political disposition was changing. Florida's shift from conservative to moderate political balance of power was behind the fiscal replacement of cuts. California went from a liberal to more conservative political mood (with Republican governors since 1962 and tax and spending limits passed by voters) and had a low response to replacing federal cuts. Mississippi and Texas with conservative political ideology were shifting toward a moderate one with small replacements of federal cuts.[69]

Nathan and Doolittle reported that the case studies showed political leaders affected state responses to Reagan's cuts in grants-in-aid. They used the governors of Arizona, Florida, Massachusetts, Ohio and South Dakota as examples of political leaders being very influential in shaping their state's response to the Reagan cuts and changes in grants-in-aid.[70]

Nathan and Doolitle classified the fourteen states in the sample according to response to cuts in federal grants-in-aid and fiscal pressure from 1980-83. The response of the state was listed as most pronounced, moderate or low. The degree of fiscal

[68] Ibid., p. 109.

[69] Ibid., p. 107-108.

[70] Ibid., p. 108.

pressure of the state was rated as extreme, moderate or little. States under extreme fiscal pressure had insufficient revenue to meet the demands for essential services (no other revenue available to increase own-raised revenue). States under moderate fiscal pressure had insufficient funds to support current level of services (could use a new tax source, increase existing taxes or cut service levels). States under little fiscal pressure had sufficient revenue to cover any increase in expenditures. The degree of fiscal stress for states with the most pronounced response (fiscal replacement of cuts) was moderate for Florida, Massachusetts, and New York and little for New Jersey and Oklahoma. The degree of fiscal stress for states with moderate response to cuts was extreme for Ohio, Washington and Missouri; moderate for Mississippi, Arizona and Illinois; but little for Texas and South Dakota. California had a low response to cuts and an extreme degree of fiscal strain. The authors found that the states with the strongest economies and finances had the strongest response to Reagan's cuts and changes in grants-in-aid.[71]

Nathan and Doolitle concluded their study by noting that the amount of benefits or services provided by grants-in-aid, the strength of the grant's constituency and the labeling of a grant as federal or state and local by state and local officials affected the way state and local governments reacted to Reagan's cuts in federal aid even though Congress later replaced some of the cuts and the economy recovered in 1983 and 1984. The greater the amount of benefits or services, the more likely it was that the grant would be cut. The greater the grant constituency, the less likely it was that the grant would be cut. State and local officials were more likely to view a federal grant as having less flexibility in its use

[71]Ibid., p. 111.

and outside traditional state and local responsibility. Nathan and Doolittle found that the more redistributive a grant was, the more probable it was that state and local governments would not protect the grant from Reagan budget cuts.[72] Nathan and Doolittle contended that Reagan furthered his federalism reform notions significantly in his first term of office which reflected his "New Federalism" that was a state-centered theory of American federalism.[73]

Authors of papers commissioned by the Robert M. LaFollette Institute of Public Affairs of the University of Wisconsin-Madison studied the Midwest response to Reagan's "New Federalism". The states involved in the study were Indiana, Illinois, Michigan, Minnesota, Ohio, and Wisconsin. The authors disagreed on the effects of the Reagan cuts in grants-in-aid and policy changes on state and local governments in the Midwest. Some of the authors thought that Reagan's "New Federalism" had a negative effect on redistributive efforts by state and local governments while others thought that it had little, if any, effect. The authors agreed that "the Midwest response to the New Federalism was timid and anemic."[74]

Felton and Elazar held the view that there were two Midwests: the upper Midwest (Minnesota, Michigan and Wisconsin) and the lower Midwest (Ohio, Illinois and Indiana). They said that the upper Midwest had a moralistic political culture where the

[72] Ibid., p. 96.

[73] Ibid., p. 13.

[74] William Gormley and Peter K. Eisinger, ed., The Midwest Response to the New Federalism (Madison: University of Wisconsin Press, 1988), p. 297.

common good necessitated high taxes, more services, greater efforts to aid the most disadvantaged, and issue-oriented party politics. They noted that the lower Midwest had an individualistic political culture where economic motivation and private initiative were important, party politics were job-oriented, and those with power got the benefits they demanded. The authors found that the Midwest governors and legislators just accepted the changes made by the Reagan administration without protest. The authors had predicted a large variety of responses from acceptance to resistance by the politicians because of the differences in political cultures of the two Midwests.[75]

Since Reagan was hostile to redistributive programs and overregulation of business, the authors also expected a different response from the Midwest to Reagan's New Federalism. The authors used their empirical studies to explain the Midwest timidity to Reagan's provisions for the reform of American federalism and to assess the importance of economics, dependency, political culture, partisanship, institutional capacity (fiscal strain), city population and public policy. This is the justification for including the work of the authors in this paper.[76]

The authors found that the recession of 1980-82 made these states less able to make up for the cuts in federal grants-in-aid. The Midwest was hit hard by the recession since it depended on durable goods production which fluctuates more than other kinds of production. America had turned from a producer of goods to a producer of services. High unemployment in the Midwest constrained politicians, especially, in redistributive

[75] Ibid., p. 296.

[76] Ibid., p. 297.

policies. Consequently, there was a shift from redistributive uses to economic development in the CDBG program in order to increase employment.[77]

The authors established that these Midwestern states got less in federal grants-in-aid than they supplied in revenues and were less dependent than other states in certain policy areas. The authors predicted that financial independence allows policy independence but found this was false. Schram found that Midwestern states had a greater amount of financial independence in welfare policy than other states but that they accepted federal restrictions on welfare eligibility and benefits rather than lose federal funds.[78]

The authors found little evidence to prove that moralistic states acted differently from individualistic states. Schram noted that both Minnesota and Wisconsin put off implementation of stipulations limiting welfare eligibility. Rimmerman reported that the CDBG program in Columbus was not as redistributive as that in Milwaukee or Detroit.[79] However, the authors found political culture was less significant in intergovernmental relations than expected. They found that the moralistic and individualistic political cultures had become more alike. They said that the upper Midwest and the lower Midwest reacted in the same way to Reagan's New Federalism.[80]

[77]Ibid., p. 298.

[78]Ibid., p. 299.

[79]Craig A. Rimmerman, "Reagan's New Federalism and the Implementation of Community Development Block Grants in a Midwestern City," in The Midwest Response to the New Federalism, ed. by Gormley and Eisinger, p. 299.

[80]Gormley and Eisinger, The Midwest Response to the New Federalism, p. 300.

Bingham and James noted that fiscal strain helps to form public policy. They said that a city with low fiscal strain coped better with the federal budget cuts because it financially absorbed the cutbacks with expenditure reductions or productivity improvements. They added that a city with high financial strain responded to cuts by contracting out services, cutting or reducing programs, and curtailing wages and salaries. They found this to be true for any of the Midwestern cities which were under great financial strain.[81]

Caputo and Bingham and James found that big cities were more affected by the Reagan budget cuts than small ones.[82] The authors found city size useful in explaining the variation in responses of the Midwest to Reagan's New Federalism although they did not predict it to be a factor.[83]

The Reagan budget cuts of 1981 centered on the redistributive programs that benefited the poor like AFDC and food stamps. The authors noticed that the needs of minority populations and the urban poor were often overlooked in redistributive programs in the Midwestern states and local communities. The authors noted that Michigan cut back on programs for lead-based poisoning prevention, urban rat control, and housing rehabilitation which were important to big cities with sizable minority populations. The

[81]Richard D. Bingham and Peggy Ann James, "Local Fiscal Adaptations to the New Federalism: The Lake Michigan States and the Rest of the Nation," in The Midwest Response to the New Federalism, ed. by Gormley and Eisinger, p. 302.

[82]David A. Caputo, "The New Federalism: Actual and Anticipated Impact in Midwestern Cities," in The Midwest Response to the New Federalism, ed. by Gormley and Eisinger, p. 302.

[83]Gormley and Eisinger, The Midwest Response to the New Federalism, p. 302.

authors observed that state and local politicians favored state and local programs over federally labeled programs and preferred to look to the past when deciding which programs to keep or cut, expecially Michigan. The authors found the Midwestern states favored keeping keeping old programs rather than starting new ones.[84]

The authors concluded that the state and local politicians in both the lower and upper Midwest adapted to federal trends and practices in order to keep federal user fees and higher taxes. They noted that "these politicians were more practical than idealistic and more cautious than creative" when dealing with Reagan's New Federalism. They added that there was no difference between moralistic and individualistic political cultures in the Midwest response to a federal government handout.[85]

[84]Ibid., p. 303 and 304.

[85]Ibid., p. 305.

CHAPTER II

METHOD

Subjects

Cities from the United States, which were over 10,000 and under 1,000,000 people and for which there was data on spending for both welfare and housing and urban renewal, were selected from 1976-77 census data for the study. The census data listed only cities over 10,000 or more. In the study, population was given as a percentage of one million people to simplify data presentation. The number of cities in the listing was 118. The same cities had to remain within the 10,000 to 1,000,000 population range in census data for 1981-82 and 1986-87 in order to be incuded in the study which compared spending for both welfare and housing and urban renewal or community development over three periods.

Materials

Data (for each selected city in the list) on population, welfare expenditure, housing and urban renewal or community development expenditure, total general expenditure, total revenue, total expenditure, federal revenue, and total general revenue came from three sources. The first source was the 1977 Census of Governments:

Government Finances[86] The second source was the 1982 Census of Governments: Government Finances.[87] The third source was the 1987 Census of Governments: Government Finances.[88]

Procedure

A listing of cities with over 10,000 and under 1,000,000 population, for which there was data on spending for welfare and spending for housing and urban renewal, was obtained from the 1977 census data. The result was a data base with 118 cities. Using the census and other sources, a list was constructed containing the following information for each of the cities in the study: name, state, population, expenditure for welfare, expenditure for housing and urban renewal, region (Northeast, South, Midwest, or West), political culture (moralistic, individualistic or traditionalistic), fiscal pressure, and federal revenue dependency. The procedure was repeated to acquire the same type of information (except for using housing and community development instead of housing and urban renewal) for the 118 city study from the 1982 and 1987 census data. The contents of the lists were used in a statistical computer software program for multiple

[86]U.S. Department of Commerce, Bureau of the Census. Census of Governments, 1977: Government Finances, Vol. 4, No. 4, p. 164-345.

[87]U.S. Department of Commerce, Bureau of the Census. Census of Governments, 1982: Government Finances, Vol. 4, No. 4, p. 159-229.

[88]U.S. Department of Commerce, Bureau of the Census. Census of Government, 1987: Government Finances, Vol. 4, No. 4, p. 158-221.

regression analyses on city spending for welfare and spending for housing and urban renewal or community development in 1976-77, 1981-82 and 1986-87.

In the multiple regression analyses, city spending for welfare, as a percentage of the total general revenue, and city spending for housing and urban renewal or community development, as a percentage of the total general revenue, for each year (1976-77, 1981-82 and 1986-87) were the dependent variables. The following independent variables (all of the independent variables identified by theory as having an effect on the dependent variable in question) included in the multiple regression analyses were: region, political culture, population, fiscal pressure, and dependency on federal revenue. The region was the Northeast, South, Midwest or West. The political culture was moralistic, individualistic or traditionalistic. These variables were included in a multiple regression by creating dummy variables. Population was the number of residents in a city as a percentage of one million people for each of the time periods involved in the study. Fiscal pressure was the difference between the total revenue and the total expenditure as a percentage of the total city revenue for each of the time periods involved in the study. City dependency on federal revenue was the federal revenue received as a percentage of the total city general revenue for each of the time periods involved. The computer program will supply the regression coefficients, t ratios, the Durbin-Watson statistic, R^2, and an analysis of the variance table. Regression coefficients will tell how many unit changes in the dependent variable occur with one unit change in the independent variable when the other independent variables are held constant. Since the magnitude of the multiple regression coefficients are affected by the units they and the dependent variables are measured in, care was taken not to make inferences about the strength of the relationships involved from the values of the coefficients in the multiple regression equations. Standardized coefficients were used to report the findings of the regression analyses, when inferences about the relative strength of relationships between dependent variable and each independent variable from the value of the regression coefficients, were made.

The Reagan administration budget cuts were hypothesized to have more of an impact on city spending for welfare than housing and community development. Nathan and Doolittle reported that the Reagan cuts were appreciable and aimed at those on welfare and the working poor rather than on state and local governments. They said that state and local governments reacted to cuts in some programs by coping but did not cope with cuts in welfare (AFDC and Food Stamp) programs which were transferred directly to recipients. Nathan and Doolittle and some of the authors of papers commissioned by the Robert LaFollette Institute noted that the more redistributive a program is, the less state and local officials will protect it from cuts (especially if it is labelled federal). Some of the authors of papers commissioned by the Robert LaFollette Institute found that there was a shift from redistributive to economic development in the CDBG program. The multiple regression analyses should show that the Reagan cuts had more impact on welfare than housing and community development and should show which variables were important predictors of city spending on welfare and on housing and community development for 1976-77, 1981-82 and 1986-87. If Elazar is correct, the most important predictors of city spending on welfare and housing and community development would be region and political culture (moralistic political culture would be related positively to welfare spending and individualistic political culture would be related positively to economic development spending).

If Peterson is correct, the most important predictors of spending on welfare would be fiscal pressure and dependency on federal revenue. If Nathan and Doolittle are correct, the most important predictors of spending on welfare and housing and community development would be political culture and fiscal stress. If the authors of the papers commissioned by the LaFollette Institute are correct, the most important predictors of such spending would be fiscal strain and population. If Morgan and England are correct, the most important predictor of spending for welfare and for housing and community development would be population.

In multiple regression analyses, the values of standardized regression coefficients will allow inferences concerning the strength of the relationship between city spending for welfare or for housing and community development and each independent variable: region (Northeast, South, Midwest or West), political culture (individualistic, traditionalistic or moralistic), population, fiscal pressure, and dependency on federal revenue. Only the variables that were statistically significant at the .05 level will be discussed along with how they relate to the dependent variable and if that relationship is as hypothesized.

CHAPTER III

RESULTS AND DISCUSSION

Multiple Regression Analyses

Table 1 shows that Reagan budget cuts had more impact on city spending for welfare than city spending for housing and community development which was as hypothesized. This is similar to findings of Nathan and Doolittle and some of the authors of papers commissioned by the Robert LaFollette Institute. The average city spending for welfare by the 118 cities in the study decreased from 1976 to 1987. Average city spending for housing and community development increased from 1976 to 1982 and decreased slightly from 1982 to 1987 but was always more than that spent for welfare.

Table 1. Average City Spending, 1976-87 (as percentage of total expenditure)

	Welfare	Housing and Community Development
1976-77	3.1%	3.5%
1981-82	2.6%	4.9%
1986-87	2.4%	4.3%

City Spending on Welfare in 1976-77

Table 2 shows that the independent variables which are statistically significant at the .05 level are: Northeast and Midwest regions, moralistic and individualistic political cultures, and population. The variable with the strongest relationship to city spending on welfare is individualistic political culture followed in order by moralistic political culture, Northeast region, Midwest region, South region, and population (when controlling for other variables). Individualtistic and moralistic political cultures and population have positive relationships with city spending for welfare (when controlling for variables). Northeast and Midwest regions have negative relationships with city spending for welfare (when other variables are controlled). This regression analysis explains only 28 percent of the variation in city spending for welfare leaving 72 percent unexplained.

Table 3 shows that, when region and political culture are dropped, population is the independent variable that is statistically significant at the .05 level. The relationship between population and city spending for welfare (when the other variables are held constant) is positive. This regression analysis explains only 12 percent of the variation in spending for welfare leaving 88 percent unexplained.

City Spending on Housing and urban Renewal in 1976-77

Table 4 shows that the independent variables which are statistically significant at the .05 level are: fiscal pressure and dependency on federal revenue. The variable with the strongest relationship to city spending on housing and urban renewal is dependency on federal revenue followed by fiscal pressure (when controlling for other variables).

Table 2. Multivariate Explanation for City Spending on Welfare for 1976-1977

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
constant	-.015	-.51	-.02
Northeast	-.060[a]	-2.38	-.62[a]
South	.052	1.82	.51
Midwest	-.073[a]	-3.28	-.57[a]
Moralistic	.095[a]	3.42	.77[a]
Individualistic	.096[a]	3.47	1.00[a]
Population	.052[a]	2.16	.21[a]
Fiscal Pressure	.028	.90	.08
Federal Revenue			
Dependency	-.025	-.60	.05
Summary statistic			
R^2	.28		
Standard error	.0420		
Durbin-Watson	1.3878		

[a]Statistically significant at .05 level.

Table 3. Multivariate Explanation for City Spending on Welfare in 1976-77

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
Population	.087[a]	3.83	.34[a]
Fiscal Pressure	.017	.51	.05
Federal Revenue			
Dependency	.010	.23	.02
Summary Statistic			
R^2	.12		
Standard error	.0454		
Durbin-Watson	1.3462		

[a]Statistically significant at .05 level.

Dependency on federal revenue and fiscal pressure have positive relationships with city spending for housing and urban renewal when controlling for other variables. This regression analysis explains only 15 percent of the variation in city spending for housing and urban renewal leaving 85 percent unexplained.

Table 4. Multivariate Explanation for City Spending on Housing and Urban Renewal in 1976-77

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
constant	.021	.70	.02
Northeast	.005	.21	.06
South	-.001	-.04	-.01
Midwest	.017	.75	.14
Moralistic	-.010	-.36	-.09
Individualistic	-.016	-.56	-.18
Population	-.019	-.77	-.08
Fiscal Pressure	.070[a]	2.19	.20[a]
Federal Revenue			
Dependency	.136[a]	3.15	.30[a]
Summary Statistic			
R^2	.15		
Standard error	.0430		
Durbin-Watson	1.5516		

[a]Statistically significant at .05 level.

Table 5 shows that, when region and political culture are dropped, dependency on federal revenue and fiscal pressure are independent variables that are statistically significant at the .05 level. The variable with the strongest relationship to city spending for housing and urban renewal is dependency on federal revenue followed by fiscal pressure (when the other variables are held constant). Dependency on federal revenue and fiscal pressure have positive relationships with city spending for housing and urban renewal when controlling for other variables. This regression analysis explains only 13 percent of the variation in spending leaving 87 percent unexplained.

City Spending on Welfare in 1981-82

Table 6 shows that the independent variables which are statistically significant at the .05 level are: Midwest region, moralistic and individualistic political cultures. The variable with the strongest relationship to city spending on welfare is individualistic political culture followed in order by moralistic political culture and Midwest region (when controlling for other variables). Individualistic and moralistic political cultures have positive relationships with city spending for welfare (when controlling for other variables). Midwest region has a negative relationship with city spending for welfare (when other variables are controlled). This regression analysis explains only 18 percent of the variation in city spending for welfare leaving 82 percent unexplained.

Table 7 shows that, when region and political culture are dropped, population is the independent variable that is statistically significant at the .05 level. The relationship between population and city spending for welfare (when the other variables are held

Table 5. Multivariate Explanation for City Spending on Housing and Urban Renewal in 1976-77

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
Population	-.021	-.92	-.09
Fiscal Pressure	.073[a]	2.37	.21[a]
Federal Revenue			
Dependency	.130[a]	3.14	.28[a]
Summary statistic			
R^2	.13		
Standard error	.0425		
Durbin-Watson	1.5394		

[a]Statistically significant at .05 level.

constant) is positive. This regression analysis explains only 10 percent of the variation in spending for welfare leaving 90 percent unexplained.

City Spending on Housing and Community Development in 1981-82

Table 8 shows that the independent variables which are statistically significant at the .05 level are: Midwest region and dependency on federal revenue. The variable with the strongest relationship to city spending on housing and community development is dependency on federal revenue followed by the Midwest (when controlling for other

Table 6. Multivariate Explanation for City Spending on Welfare for 1981-82

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
constant	-.004	-.16	-.001
Northeast	-.015	-.76	-.23
South	.025	1.15	.35
Midwest	-.035[a]	-2.04	-.40[a]
Moralistic	.048[a]	2.35	.56[a]
Individualistic	.042[a]	2.08	.64[a]
Population	.032	1.73	.18
Fiscal Pressure	.041	1.34	.13
Federal Revenue			
Dependency	.006	.13	.01
Summary statistic			
R^2	.18		
Standard error	.0311		
Durbin-Watson	1.8101		

[a]Statistically significant at .05 level.

Table 7. Multivariate Explanation for City Spending on Welfare in 1981-82

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
Population	.040[a]	2.34	.22[a]
Fiscal Pressure	.052	1.82	.17
Federal Revenue			
Dependency	.006	.15	.01
Summary statistic			
R^2	.10		
Standard	.0320		
Durbin-Watson	1.7146		

[a]Statistically significant at .05 level.

variables). Dependency on federal revenue and Midwest region have positive relationships with city spending for housing and community development (when controlling for other variables). This regression analysis explains only 33 percent of the variation in city spending with 67 percent explained.

Table 9 shows that, when region and political culture are dropped, dependency on federal revenue is the independent variable that is statistically significant at the .05 level.

Table 8. Multivariate Explanaton for City Spending on Housing and Community Development in 1981-82

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
constant	-.016	-.54	-.02
Northeast	.036	1.31	.36
South	.013	.42	.12
Midwest	.053[a]	2.24	.39[a]
Moralistic	-.022	-.77	-.17
Individualistic	-.011	-.38	-.11
Population	.036	1.43	.13
Federal Pressure	-.040	-.95	-.09
Federal Revenue			
Dependency	.353[a]	5.85	.52[a]
Summary statistic			
R^2	.33		
Standard error	.0431		
Durbin-Watson	1.3655		

[a]Statistically significant at .05 level.

Table 9. Multivariate Explanation for City Spending on Housing and Community Development in 1981-82

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
Population	.022	.94	.08
Fiscal Pressure	-.055	-1.41	-.12
Federal Revenue			
Dependency	.339[a]	5.83	.50a
Summary Statistic			
R^2	.27		
Standard error	.0439		
Durbin-Watson	1.2774		

[a]Statistically significant at .05 level.

The variable with the strongest relationship to city spending for housing and community development is dependency on federal revenue (when the other variables are held constant). Dependency on federal revenue has a positive relationship with city spending for housing and community development (when controlling for other variables). This regression analysis explains only 27 percent of the variation in spending leaving 73 percent unexplained.

City Spending on Welfare in 1986-87

Table 10 shows that the independent variables, moralistic and individualistic political cultures, are statistically significant at the .05 level. The variable with the strongest relationship to city spending on welfare is individualistic political culture followed by moralistic political culture (when controlling for other variables). Individualistic and moralistic political cultures have positive relationships with city spending for welfare (when controlling for other variables). This regression analysis explains only 16 percent of the variation in city spending for welfare leaving 84 percent of the spending unexplained.

Table 11 shows that, when region and political culture are dropped, population is the independent variable that is statistically significant at the .05 level. The relationship between population and city spending for welfare (when the other variables are held constant) is strong and positive. This regression analysis explains only 6 percent of the variation in spending for welfare leaving 94 percent unexplained.

City Spending on Housing and Comunity Development in 1986-87

Table 12 shows that the independent variable which is statistically significant at the .05 level is dependency on federal revenue. The variable with the strongest relationship to city spending on housing and community development is dependency on federal revenue (when controlling for other variables). Dependency on federal revenue has a positive relationship with city spending for housing and community development (when controlling for other variables). This regression analysis explains only 22 percent of the variation in city spending with 78 percent unexplained.

Table 10. Multivariate Explanation for City Spending on Welfare for 1986-87

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
constant	-.009	-.42	-.01
Northeast	-.017	-.93	-.27
South	.033	1.60	.49
Midwest	-.031	-1.89	-.37
Moralistic	.045[a]	2.31	.56[a]
Individualistic	.050[a]	2.64	.80[a]
Population	.029	1.70	.18
Fiscal Pressure	-.008	-.35	-.03
Dependency	-.041	-.69	-.06
Summary statistic			
R^2	.16		
Standard error	.0301		
Durbin-Watson	1.7635		

[a]Statistically significant at .05 level.

Table 11. Multivariate Explanation for City Spending on Welfare in 1986

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
Population	.041[a]	2.72	.26[a]
Fiscal Pressure	.007	.34	.03
Federal Revenue			
Dependency	-.044	-.73	-.07
Summary statistic			
R^2	.06		
Standard error	.0310		
Durbin-Watson	1.6610		

[a]Statistically significant at .05 level.

Table 13 shows that, when region and political culture are dropped, dependency on federal revenue is the independent variable that is statistically significant at the .05 level. The variable with the strongest relationship to city spending for housing and community development is dependency on federal revenue (when the other variables are held constant). Dependency on federal revenue has a positive relationship with city spending for housing and community development (when controlling for other variables).

Table 12. Multivariate Explanation for City Spending on Housing and Community Development in 1986-87

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
constant	.021	.80	.02
Northeast	.006	.26	.07
South	.020	.76	.22
Midwest	.029	1.42	.26
Moralistic	-.010	-.41	.10
Individualistic	-.010	-.41	-.12
Population	-.017	-.79	-.08
Fiscal Pressure	-.021	-.80	-.07
Federal Revenue			
Dependency	.279[a]	3.72	.33[a]
Summary statistic			
R^2	.22		
Standard error	.0373		
Durbin-Watson	1.9980		

[a]Statistically significant at .05 level.

Table 13. Multivariate Explanation for City Spending on Housing and Community Development in 1986-87

	Regression Coefficient	t Ratio	Standardized Regression Coefficient
Population	-.014	-.75	-.07
Fiscal Pressure	-.028	-1.05	-.09
Federal Revenue			
Dependency	.317[a]	4.23	.32[a]
Summary Statistic			
R^2	.14		
Standard error	.0383		
Durbin-Watson	1.8356		

[a]Statistically significant at .05 level.

This regression analysis explains only 14 percent of the variation in spending on housing and community development leaving 86 percent unexplained.

City Spending for Welfare and Spending for Housing and Community Development in 1976-87

Table 14 shows that the independent variables which are consistently statistically significant at the .05 level for city spending on welfare from 1976-87 are individualistic and moralistic political cultures. The variable with the strongest relationship to city

Table 14. City Spending for Welfare and Housing and Community Development: Multiple Regression Analysis

Predictors of Spending for Welfare	Standardized Regression Coefficient (Beta) 1976-77	1981-82	1986-87
constant	-.02	-.001	-.01
Northeast	-.62[a]	-.23	-.27
South	.51 R^2=.28	.35 R^2=.18	.49 R^2=.16
Midwest	-.57[a]	-.40[a]	-.37
Moralistic	.77[a]	.56[a]	.56[a]
Individualistic	1.00[a]	.64[a]	.80[a]
Population	.21[a]	.18	.18
Fiscal Pressure	.08	.13	-.03
Federal dependency	.05	.01	-.06
Predictors of Spending for Housing/Community Development			
constant	.02	-.02	.02
Northeast	.06	.36	.07
South	-.01 R^2=.15	.12 R^2=.33	.22 R^2=.22
Midwest	.14	.39[a]	.26
Moralistic	-.09	-.17	.10
Individualistic	-.18	-.11	-.12
Population	-.08	.13	-.08
Fiscal pressure	.20[a]	-.09	-.07
Federal dependency	.20[a]	.52[a]	.33[a]

[a]Significant at .05 level.

spending for welfare is individualistic political culture followed by moralistic political culture (when controlling for other variables). Both individualistic and moralistic political cultures have positive relationships with city spending for welfare (when controlling for other variables). Elazar was correct in concluding that political culture affected city spending for welfare although individualistic political culture is committed to private welfare and moralistic is committed to general welfare. Nathan and Doolittle were correct in concluding that political cultures affected how the communities responded to budget cuts. However, the regression analyses explain only a small percentage of variation in city spending on welfare from 1976-87.

Table 14 shows that the independent variable which is consistently statistically significant at the .05 level for city spending for housing and community development from 1976-87 is dependency on federal revenue. Dependency on federal revenue has a positive relationship to city spending on housing and community development (when controlling other variables). This is contrary to Peterson's argument that the goal of local government is the efficient development of the local economy with concern over long-term economic welfare and limits of what is possible. Thus, the regression analyses explain only a small percentage of variation in spending on housing and community development from 1976-87.

Table 15 shows that removing the dummy variables for region and political culture had more of an impact on the prediction of city spending for welfare than on spending for housing and community development from 1976-87.

Table 15. City Spending for Welfare and Housing and Community Development: Multiple Regression Analysis

Predictors of Spending for Welfare	Standardized Regression Coefficient (Beta) 1976-76	1981-1982	1986-87
Population	.34[a]	.22[a]	.26[a]
Fiscal pressure	.05 R^2=.12	.17 R^2=.10	.03 R^2=.06
Federal dependency	.02	.01	-.07
Predictors of Spending for Housing/Community Development			
Population	-.09 R^2=.13	.08 R^2=.27	-.07 R^2=.14
Fiscal pressure	.21[a]	-.12	-.09
Federal dependency	.28[a]	.50[a]	.32[a]

[a] Significant at .05 level.

The study shows that Reagan's budget cuts had more impact on welfare than for housing and community development which confirmed the author's expectations. The study also shows that the best predictors of city spending on welfare are individualistic and moralistic political cultures and the best predictor of spending on housing and community development is dependency on federal revenue (when controlling the other variables). Unfortunately, none of the regression equations explain much of the variance in city spending on welfare and spending on housing and community development. The results might lead another researcher toward modifying these explanations and doing further empirical work.

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